

MARKETS TODAY

Problema



Good morning

The US market has taken a breather overnight, notwithstanding news very late in the overnight session yesterday that a Special Counsel (Robert Mueller, ex-FBI Director) was being appointed to investigate Russia's involvement in the election. It has not been another night of selling of US equities. Rather, the Dow has steadied, up 56 points after yesterday's 370 point rout. It's been more a stop-gap session. US Treasury yields have changed little, 10s at 2.23%, up ½ a basis point. There has been earlier testimony from former FBI director James Comey circulating, Comey saying that he had not been pressured for political purposes to close an investigation. The implication then would be that President Trump is off the hook. Without pre-judging how the Special Counsel investigations might run or uncover, they have in the past run for up to years. Whitewater took several years to complete.

The USD has made a partial recovery, the DXY up 0.26%, the larger gains against the Yen and Sterling, and surging against the Brazilian Real (see below). The USD was also not harmed by the release of another low weekly jobless claims report, while the Philly Fed index for May was surpercharged, up to a reading of 38.8 from 22.0 (F:18.5).

US Treasury Secretary Mnuchin was delivering his first Congressional testimony, this to the Senate Banking Committee, Mnuchin speaking of the Administration's goal to lift growth to 3%-plus and that the US Treasury has a team of 100 working on the Administration's tax reform proposals.

The Pound was later afflicted by a mini flash crash that unseated the Pound from above 1.30, spiking briefly below 1.29, before steadying, but not recovering. Sterling had earlier outperformed in the wake of a much stronger than expected April Retail Sales report that doubled expectations. Headline ex-auto sales rebounded by 2.0%; including fuel, the rise was 2.3%.

It was politics that has hit the Real and Brazilian markets hard. President Michel Temer has had allegations of corruption made against him (alleged recordings of him discussing hush money for pay-offs), having been appointed with the promise of a cleaner administration. The Bovespa stock market index is down 8.8%, while the BRL has lost over 7% against the USD, trading this morning at 3.35/40, from earlier levels at around 3.10. Temer is standing his ground amid a Supreme Court approved investigation.

The Euro, while losing some ground for the session against the partially-recovering USD, seems to be getting some support from an emerging view that the June 8 ECB meeting will sign off on a less dour outlook. Draghi overnight said that the Euro-area recovery is becoming increasingly broad-based countries and regions. He also noted how Euro area domestic demand had been the

mainstay of the recovery. French ECB member Benoit Coeure gave a Reuters interview overnight, saying that the ECB shouldn't wait too long before taking away support. He said that there is too much gradualism in policy normalisation. Bundesbank President Jens Weidmann also weighed in, noting that political risks had diminished since the French Presidential election and that policy should be normalised if the recovery continues.

The official account of the April 26-27 ECB meeting also reported that the central bank left a re-assessment for the June meeting, members at the April meeting having disagreed on risks. That disagreement seems to be continuing, though the tone of Draghi's remarks seems to be relatively much less worrisome. The minutes noted that new staff projections and data would put officials in a better position to take stock and re-assess the sustainability of the recovery and the outlook for inflation. The first (recovery sustainability) would seem to get a tick; the second (inflation outlook), well that's an assessment and outlook that many central banks are pondering right now, some more advanced in the cycle than the ECB as it considers whether to wind down QE in June.

After having rallied yesterday after yesterday's stronger than expected employment report, the AUD has eased back to the lower 74s in the wake of the overnight somewhat firmer USD. Iron ore prices eased \$0.60/t, while coal prices firmed a little. Having out-performed in the previous session, the NZD has under-performed in this session, down 0.38%.

Coming Up

There's no key local data for today's APAC session. Even in NZ, net migration and credit card spending are unlikely to affect the Kiwi dollar.

Tonight, there are three ECB speakers, and the market will continue to sift through these speeches for the differing views. It's certainly now looking like the June 8 meeting will produce a shift to a more balanced assessment. There is EC Consumer Confidence due, but this is not at all market sensitive.

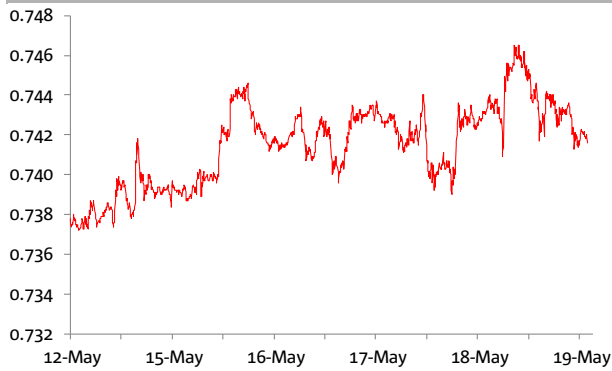
The Fed's James Bullard is speaking in the US and his views are well known: no need to lift the US Fed funds rate further, but the Fed should be now on the path to winding down its balance sheet, beginning with its holding of mortgage-backed securities.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +0.51bp to 2.23%. In commodities, Brent crude oil +0.00% to \$52.5, gold+0.0% to \$1,247, iron ore +0.0% to \$61.60, steam coal +0.3% to \$74.05, met. coal +0.0% to \$174.50. AUD is at 0.7433 and the range since yesterday 5pm Sydney time is 0.7408 to 0.7467.

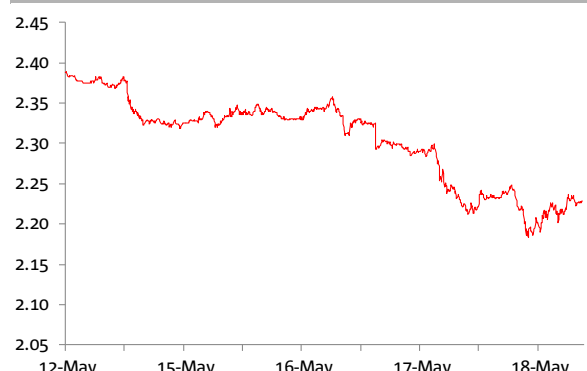
Markets

AUD/USD - past week



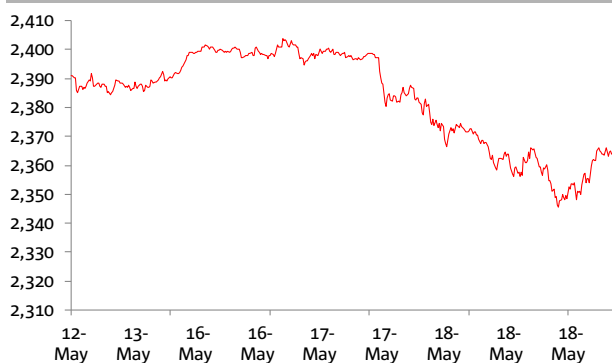
Source: Bloomberg.

US 10yr - past week



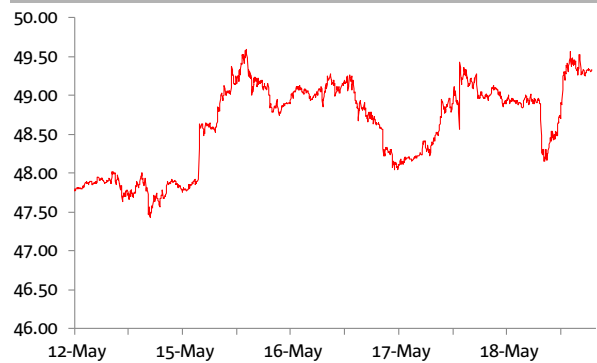
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7419	-0.2	0.7408	0.7467	HKD	7.7824 -0.1
NZD	0.6900	0.2	0.6878	0.6951	CNY	6.8737 -0.2
EUR	1.1100	-0.1	1.1075	1.1174	SGD	1.3928 -0.1
GBP	1.2936	-0.3	1.2885	1.3049	IDR	13,392 0.6
JPY	111.50	-0.8	110.24	112.52	THB	34.53 0.0
CAD	1.3605	-0.1	1.3572	1.3672	KRW	1,129 0.8
AUD/EUR	0.6684	0.3	0.6633	0.6702	TWD	30.22 0.2
AUD/JPY	82.73	-0.6	81.77	83.33	PHP	49.80 0.1
AUD/GBP	0.5736	0.5	0.5688	0.5764	CHF	0.98 -0.4
AUD/NZD	1.0753	0.0	1.0693	1.0774	SEK	8.81 0.3
AUD/CNH	5.0997	0.0	5.0815	5.1363		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.18	1.50	2.16	USD 10	2.23	0.51
AUD	1.50	1.74	1.83	2.74	AUD 10	2.50	-2.90 0.27
NZD	1.75	1.99	2.24	3.24	NZD 10	2.84	-5.00 0.61
EUR	0.00	-0.33	-0.15	0.79	CAD 10	1.45	-0.30 -0.78
GBP	0.25	0.31	0.54	1.12	EUR 10	0.34	-3.50 -1.89
JPY	-0.05	-0.01	0.04	0.25	GBP 10	1.06	-1.00 -1.17
CAD	0.50	0.89	1.00	1.72	JPY 10	0.05	0.10 -2.18

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,663	0.27	17.9
S&P 500	2,366	0.37	15.5
Nasdaq	6,055	0.73	27.8
VIX	14.66	-5.97	-8.1
FTSE	7,436	-0.9	20.6
DAX	12,590	-0.3	26.6
CAC 40	5,290	-0.5	22.5
Nikkei	19,554	-1.3	17.5
Shanghai	3,090	-0.5	10.1
Hang Seng	25,137	-0.6	27.6
ASX 200	5,738	-0.8	7.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.47	7.50
3/10 sprd	0.33	-4.50
SPI	5727.0	55.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.50	0.6
Oil (WTI)	49.34	0.6
Oil (Tapis)	51.93	0.3
Gold	1246.80	-0.9
CRB	182.51	-0.4
GS Metals	313.5	-0.5
Aluminium	1917.5	-0.1
Copper	5572.0	-0.5
Nickel	9143.5	-0.4
Zinc	2525.8	-1.1
Ch. steel	3187.0	3.9
Iron ore	61.6	-1.0
St. Coal	74.1	0.3
Met.coal	174.5	0.9
Wheat Chic.	439.8	-0.1
Sugar	16.0	-1.7
Cotton	79.2	-1.2
Coffee	129.7	-3.5
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	17	68.0%

Please note the high/low FX rates are only an indication. Please refer to your National Dealer for confirmation.

* All near futures contracts, except CRB. GS Metals is Goldman Sachs industrial metals index. Metals prices are CME. Emissions: ICE Dec contracts, Euros

** These are indicative ranges over the past 24 hours; please confirm rates with your NAB dealer

Last is around 6:30am Sydney

Source: Bloomberg

CALENDAR

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Friday, 19 May 2017								
NZ	Net Migration SA	Apr				6100	23.45	8.45
NZ	Credit Card Spending MoM/YoY	Apr		/		0.8/7.1	4.00	13.00
EC	ECB Current Account SA	Mar				37.9	9.00	18.00
EC	EU's Dombrowskis speaks at ECB-EU Conference in Brussels						9.00	18.00
EC	ECB's Praet (Chf Economist) moderates panel at Conference in Brussels						10.00	19.00
UK	CBI Trends Total Orders/Selling Prices	May		4/29		4.0/29.0	11.00	20.00
EC	ECB's Constancio speaks at Conference in Brussels						13.00	22.00
CA	Retail Sales/ex autos MoM	Mar		0.3/0.2		-0.6/-0.1	13.30	22.30
CA	CPI NSA MoM/YoY	Apr		0.5/1.7		0.2/1.6	13.30	22.30
CA	CPI Core- Common/Trim YoY%	Apr		1.4/		1.3/1.4	13.30	22.30
CA	CPI Core- Median YoY%	Apr				1.7	13.30	22.30
US	Fed's Bullard to Speak about U.S. Economy and Monetary Policy						14.15	23.15
EC	Consumer Confidence	May A		-3		-3.6	15.00	0.00
Monday, 22 May 2017								
JN	Trade Balance Adjusted	Apr				172.2	0.50	9.50
JN	Leading Index CI	Mar F				105.5	6.00	15.00
US	Chicago Fed Nat Activity Index	Apr				0.1	13.30	22.30
CH	Conference Board China April Leading Economic Index						14.00	23.00
CA	Bloomberg Nanos Confidence	May 19				58.1	15.00	0.00
AU	RBA's Debelle Speech in Basel						18.30	3.30
Tuesday, 23 May 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 21				109.4	0.30	9.30
JN	All Industry Activity Index MoM	Mar				0.7	5.30	14.30
JN	Machine Tool Orders YoY	Apr F				34.7	7.00	16.00
GE	GDP SA QoQ/YoY	1Q F		/		0.6/1.7	7.00	16.00
GE	IFO Business Climate	May				112.9	9.00	18.00
GE	IFO Current Assessment/Expectations	May				121.1	9.00	18.00
UK	Public Finances (PSNCR)	Apr				34.3	9.30	18.30
UK	CBI Retailing/Distributive Reported Sales	May				38.0	11.00	20.00
CA	Wholesale Trade Sales MoM	Mar				-0.2	13.30	22.30
US	New Home Sales, #/MoM	Apr		625/0.6		621.0/5.8	15.00	0.00
US	Richmond Fed Manufact. Index	May		15		20.0	15.00	0.00
Wednesday, 24 May 2017								
NZ	Trade Balance NZD/YTD	Apr				332.0	23.45	8.45
NZ	RBNZ Governor Wheeler Speaks in Hamilton (Not Public)						1.00	10.00
JN	BOJ Kuroda speaks in Tokyo						1.00	10.00
AU	Westpac Leading Index MoM	Apr				0.1	1.30	10.30
JN	Nikkei Japan PMI Mfg	May P				52.7	1.30	10.30
AU	Skilled Vacancies MoM	Apr				-0.6	2.00	11.00
AU	Construction Work Done	1Q				-0.2	2.30	11.30
GE	GfK Consumer Confidence	Jun				10.2	7.00	16.00
GE	Markit/BME Germany Manufacturing PMI	May P		/		58.2/55.4	8.30	17.30
GE	Markit Germany Services/Composite PMI	May P				55.4	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	May P		/		56.7/56.4	9.00	18.00
EC	Markit Eurozone Services/Composite PMI	May P				56.4	9.00	18.00
US	FHFA House Price Index MoM	Mar				0.8	14.00	23.00
US	House Price Purchase Index QoQ	1Q				1.5	14.00	23.00
US	Markit US Manufacturing PMI	May P				52.8	14.45	23.45
US	Markit US Services/Composite PMI	May P		/		53.1/53.2	14.45	23.45
CA	Bank of Canada Rate Decision	May 24		0.5		0.5	15.00	0.00
US	Existing Home Sales, #/MoM	Apr		5.67/-0.65		5.7/4.4	15.00	0.00
US	FOMC Meeting Minutes	May 3					19.00	4.00
Thursday, 25 May 2017								
AU	RBA's Bullock Speech in Sydney						1.00	10.00
CN	Swift Global Payments CNY	Apr				1.8	2.00	11.00
AU	RBA's Debelle Opening Remarks in London						9.00	18.00
UK	BBA Loans for House Purchase	Apr				41061.0	9.30	18.30
UK	GDP QoQ/YoY	1Q P		/		0.3/2.1	9.30	18.30
UK	Index of Services MoM/ 3m/3M	Mar		/		0.2/0.5	9.30	18.30
UK	Total Business Investment QoQ/YoY	1Q P		/		-0.9/-0.9	9.30	18.30
US	Advance Goods Trade Balance	Apr		-64		-64.2	13.30	22.30
US	Wholesale/Retail Inventories MoM	Apr P				0.2	13.30	22.30
US	Initial Jobless Claims	May 13		240		236	13.30	22.30
US	Bloomberg Consumer Comfort	May 14				49.7	14.45	23.45
CA	CFIB Business Barometer	May				64.4	June 25-26 release	
US	Kansas City Fed Manf. Activity	May				7.0	16.00	1.00
CA	Bank of Canada Deputy Governor Sylvain Leduc Speech						22.20	7.20
Friday, 26 May 2017								
JN	Natl CPI YoY	Apr				0.2	0.30	9.30
JN	Natl CPI Ex Fresh Food/Ex Fresh Food, Energy YoY	Apr		/		0.2/-0.1	0.30	9.30
JN	Tokyo CPI YoY	May				-0.1	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food/Ex-Fresh Food, Energy YoY	May		/		-0.1/-0.1	0.30	9.30
JN	PPI Services YoY	Apr				0.8	0.50	9.50
US	Fed's Bullard Speaks on U.S. economy in Tokyo						3.00	12.00
US	GDP Annualized/Core PCE QoQ	1Q S		0.9/		0.7/2.0	13.30	22.30
US	Durable Goods Orders/Ciore Orders	Apr P		-1.2/		0.9/0.5	13.30	22.30
US	U. of Mich. Sentiment/5-10Yr Inflation	May F		97.5/		97.7/2.3	15.00	0.00
CH	Industrial Profits YoY	Apr				23.8	2.30	11.30
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		25-May	0.5%	0.5%		0.5%		
Australia, RBA		6-Jun	1.50%	1.50%		1.50%		
Europe ECB		8-Jun	-0.4%	-0.4%		-0.4%		
UK BOE		15-Jun	0.25%	0.25%		0.25%		
US Federal Reserve		15-Jun	0.75-1.00%	0.75-1.00%		0.75-1.00%		
Japan, BoJ		16-Jun	-0.1%	-0.1%		-0.1%		
New Zealand, RBNZ		22-Jun	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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